

## Message Text

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ACTION EB-11

INFO OCT-01 L-03 ISO-00 H-03 COME-00 CIAE-00 INR-10

NSAE-00 RSC-01 OPIC-12 OMB-01 TAR-02 TRSE-00 SIL-01

LAB-06 STR-08 FTC-01 INT-08 DRC-01 SS-20 SPC-03 NSC-07

EUR-25 /124 W

----- 048021

R 020644Z APR 74

FM AMEMBASSY BUCHAREST

TO SECSTATE WASHDC 8176

UNCLAS BUCHAREST 1264

EO 11652: N/A

TAGS: EIND, EFIN, RO

SUBJECT: FOREIGN INVESTMENT CLIMATE AND STATISTICS FOR ROMANIA

REF: STATE 053993

1. ROMANIA CONTINUES TO ENCOURAGE DIRECT FOREIGN INVESTMENT THROUGH THE ESTABLISHMENT OF JOINT VENTURES IN ACCORDANCE WITH BASIC ENABLING LEGISLATION PASSED IN EARLY 1971. THIS LEGISLATION TOGETHER WITH SUBSEQUENT IMPLEMENTING LAWS PROVIDE THE FUNDAMENTAL FRAMEWORK FOR INVESTMENT CONDITIONS AND REQUIREMENTS. APART FROM JOINT VENTURES, NO OTHER TYPE OF DIRECT FOREIGN INVESTMENT IS PERMITTED IN ROMANIA. ROMANIAN SUPPORT FOR THE JOINT VENTURE CONCEPT MAY BE PARTIALLY THE RESULT OF A DESIRE TO INCREASE CAPITAL INVESTMENT WITHOUT RESORTING TO TRADITIONAL AND COSTLY CREDIT ARRANGEMENTS, PARTICULARLY IN VIEW OF ROMANIA'S HEAVY CREDIT BURDEN ALREADY. NEGOTIATION OF AN INVESTMENT CONTRACT IN ROMANIA IS LIKELY TO REQUIRE CONSIDERABLE TIME AS ADMINISTRATIVE AND APPROVAL PROCEDURES REQUIRED ARE COMPLICATED AND TIME CONSUMING. BY THE END OF 1973 ONLY FOUR FOREIGN COMPANIES (ONE OF THEM AN AMERICAN FIRM) HAD MADE DIRECT INVESTMENTS UNDER THE PROVISIONS OF JOINT VENTURE LEGISLATION.

2. ACCORDING TO THE BASIC LEGISLATION, FOREIGN INVESTMENT IS UNCLASSIFIED

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PERMITTED IN THE FOLLOWING GENERAL FIELDS; INDUSTRY, AGRICULTURE,

TOURISM, AND SCIENTIFIC AND TECHNOLOGICAL RESEARCH. SOME OF THE MAJOR REQUIREMENTS FOR JOINTLY OWNED COMPANIES ARE AS FOLLOWS: A) THE ROMANIAN SHARE OF THE REGISTERED CAPITAL MUST BE AT LEAST 51 PERCENT, B) THE ROMANIAN GOVERNMENT GUARANTEES THE REPATRIATION OF PROFITS AND CAPITAL TO THE FOREIGN PARTNER, C) PRODUCTION FOR EXPORT IS A REQUIREMENT, D) RAW MATERIALS AND OTHER SUPPLIES MAY BE PURCHASED

LOCALLY OR IMPORTED, E) UP TO TWO REPRESENTATIVES FROM THE ROMANIAN MINISTRY OF FINANCE MUST BELONG TO THE BOARD OF MANAGING DIRECTORS OF THE COMPANY'S ACCOUNTING DIVISION, F) PROFITS OF THE JOINT COMPANY ARE TAXED 30 PERCENT ANNUALLY.

3. THE PROGRAMS OF THE OVERSEAS PRIVATE INVESTMENT CORPORATION (OPIC) HAVE BEEN OPERATING IN ROMANIA SINCE THE SIGNING OF AN AGREEMENT ON APRIL 28, 1973. TO DATE NO COVERAGE HAS BEEN ISSUED TO AN AMERICAN FIRM. A DOUBLE TAXATION TREATY WITH ROMANIA WAS SIGNED IN DECEMBER 1973 ON THE OCCASION OF ROMANIAN PRESIDENT NICOLAE CEAUSESCU'S VISIT TO THE UNITED STATES.

4. THE ROMANIAN GOVERNMENT LOOKS TO DIRECT FOREIGN INVESTMENT AS AN IMPORTANT MEANS OF CONTRIBUTING TO ITS INDUSTRIAL EXPANSION PROGRAM. ALTHOUGH ONLY FOUR JOINT VENTURES HAVE BEEN ESTABLISHED TO DATE, THIS STILL SMALL NUMBER IS PROBABLY THE RESULT OF THE TRADITIONAL SLOWNESS OF THE BARGAINING PROCESS IN ROMANIA AND RELATIVE WESTERN INEXPERIENCE IN DEALING WITH DIRECT INVESTMENT PROCEDURES IN ROMANIA. THE CLIMATE FOR FOREIGN INVESTMENT IS EXPECTED TO IMPROVE, PARTICULARLY FOR THOSE FIRMS WHICH OFFER HIGH-LEVEL TECHNOLOGY COMBINED WITH THE POSSIBILITY OF HIGH POTENTIAL EARNINGS IN THIRD COUNTRY EXPORT MARKETS.

#### 5. INVESTMENTS STATISTICS

##### 1. US DIRECT INVESTMENT -- 1972:

A) TOTAL, ALL INDUSTRIES: ABOUT \$2 MILLION

B) MINING AND SMELTING - NONE

C) PETROLEUM: NONE

D) MANUFACTURING: ABOUT \$2 MILLION (COMPUTER PERIPHERALS)

E) OTHER INDUSTRIES: NONE

##### 2. DIRECT INVESTMENT BY ALL COUNTRIES --1972:

A) TOTAL, INCLUDING U.S.: ABOUT \$4 MILLION

B) OTHER COUNTRIES: ITALY, ABOUT \$2 MILLION. (IN 1973

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ADDITIONAL INVESTMENTS AMOUNTING TO MORE THAN \$4 MILLION WERE CONTRACTED BY GERMAN AND JAPANESE FIRMS.)

##### 3. DIRECT INVESTMENT IN THE US BY FOREIGNERS -- 1972

THERE WAS NO DIRECT INVESTMENT IN THE US BY ROMANIA AT THE END OF 1972.

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** FOREIGN INVESTMENT, INVESTMENT LAW, INVESTMENT PROGRAMS, JOINT VENTURES, INVESTMENT DATA  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 02 APR 1974  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** n/a  
**Disposition Approved on Date:**  
**Disposition Authority:** n/a  
**Disposition Case Number:** n/a  
**Disposition Comment:**  
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**Disposition Event:**  
**Disposition History:** n/a  
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**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
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**Office:** ACTION EB  
**Original Classification:** UNCLASSIFIED  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 3  
**Previous Channel Indicators:**  
**Previous Classification:** n/a  
**Previous Handling Restrictions:** n/a  
**Reference:** STATE 053993  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** shawdg  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 24 MAY 2002  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <24 MAY 2002 by bryansd0>; APPROVED <16 DEC 2002 by shawdg>  
**Review Markings:**

Declassified/Released  
US Department of State  
EO Systematic Review  
30 JUN 2005

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** FOREIGN INVESTMENT CLIMATE AND STATISTICS FOR ROMANIA  
**TAGS:** EIND, EFIN, RO, OPIC  
**To:** STATE  
**Type:** TE  
**Markings:** Declassified/Released US Department of State EO Systematic Review 30 JUN 2005